

Date

[Name
Address
City State Zip]

Dear [Member's Name],

RE: IRS 1099-C form regarding Flexible Spending and Health Reimbursement Accounts

The Kentucky Employees' Health Plan (KEHP) records show that you enrolled in a Flexible Spending Account (FSA) or Health Reimbursement Account (HRA) for one or more Plan Year(s) in 2009, 2010 and 2011. The agreement(s) allowed you to use the funds for eligible expenses on a pre-tax basis. Our records show you used these funds for non-qualified expenses, which were never reimbursed or substantiated. When funds are not substantiated or paid back in accordance with the law and plan rules, there are correction procedures in place to recoup money from participants. Humana, our plan administrator requested documentation or repayment of your FSA or HRA expense(s) multiple times.

Based on IRS guidelines, you will receive a **1099-C form for calendar year 2012 tax reporting purposes. You must claim this amount as income on your taxes.** Upon receipt, please take the time to carefully review the 1099-C form, claim the amount in your gross income and pay taxes on that income for which you are liable.

Thank you for your attention to this matter. If you have questions please contact your personal tax advisor or if you received the 'canceled debt income' form in error, please contact Department of Employee Insurance at (888-581-8834).

Sincerely,

Department of Employee Insurance
Financial Management Branch



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